

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Plainwell	County Allegan
Fiscal Year End June 30, 2007	Opinion Date October 11, 2007	Date Audit Report Submitted to State December 17, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

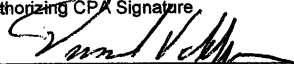
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 communication	
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.		Telephone Number (269) 381-4970	
Street Address 246 E Kilgore		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen	
		License Number 1101020724	

*City of Plainwell*  
*Allegan County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2007*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Plainwell**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the City of Plainwell's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets decreased by \$512,927 as a result of this year's activities. Net assets of the governmental activities decreased by \$476,136, and net assets of the business-type activities decreased by \$36,791.
- Of the \$9,845,735 total net assets reported, \$1,804,968 (18 percent) is unrestricted, or available to be used at the Council's discretion.
- The General Fund's unreserved fund balance at the end of the fiscal year was \$294,585, which represents 16 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The City's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
  - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Government-wide financial statements**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police and fire protection and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems and airport operations are reported here.
- *Component units* - The City includes other entities in its report - the Plainwell Tax Increment Finance Authority and the Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

### **Fund financial statements**

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like the Fire Reserve and Capital Improvement funds) or to show that it is properly using certain taxes and other revenues (like property taxes collected for solid waste and motor fuel taxes collected for the street funds).

The City has three kinds of funds:

1. *Governmental funds*. Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2. *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
  - The City uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service fund is its Equipment Fund that manages the City's fleet of vehicles and equipment.
3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net assets.** Total net assets at the end of the fiscal year were \$9,845,735 compared to \$10,358,662 at the end of the prior year. Of this total, \$7,522,665 is invested in capital assets and \$518,102 is restricted for various purposes. Consequently, unrestricted net assets were \$1,804,968, or 18 percent of the total.

Condensed financial information  
Net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 2,179,890	\$ 2,644,793	\$ 402,944	\$ 212,001	\$ 2,582,834	\$ 2,856,794
Capital assets	<u>1,787,362</u>	<u>1,803,687</u>	<u>6,775,303</u>	<u>7,064,408</u>	<u>8,562,665</u>	<u>8,868,095</u>
<b>Total assets</b>	<b><u>3,967,252</u></b>	<b><u>4,448,480</u></b>	<b><u>7,178,247</u></b>	<b><u>7,276,409</u></b>	<b><u>11,145,499</u></b>	<b><u>11,724,889</u></b>
Long-term debt outstanding	-	-	1,040,000	1,105,000	1,040,000	1,105,000
Other liabilities	<u>195,008</u>	<u>200,100</u>	<u>64,756</u>	<u>61,127</u>	<u>259,764</u>	<u>261,227</u>
<b>Total liabilities</b>	<b><u>195,008</u></b>	<b><u>200,100</u></b>	<b><u>1,104,756</u></b>	<b><u>1,166,127</u></b>	<b><u>1,299,764</u></b>	<b><u>1,366,227</u></b>
Net assets:						
Invested in capital assets, net of related debt	1,787,362	1,803,687	5,735,303	5,554,408	7,522,665	7,358,095
Restricted	518,102	553,712	-	-	518,102	553,712
Unrestricted	<u>1,466,780</u>	<u>1,890,981</u>	<u>338,188</u>	<u>555,874</u>	<u>1,804,968</u>	<u>2,446,855</u>
<b>Total net assets</b>	<b><u>\$ 3,772,244</u></b>	<b><u>\$ 4,248,380</u></b>	<b><u>\$ 6,073,491</u></b>	<b><u>\$ 6,110,282</u></b>	<b><u>\$ 9,845,735</u></b>	<b><u>\$ 10,358,662</u></b>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Changes in net assets.** The City's total revenues were \$4,115,468. Approximately 36 percent of the City's revenues come from property taxes and another 34 percent come from utility charges. Only 10 percent of the City's total revenues come from state shared revenues.

The total cost of all the City's programs, covering a wide range of services, totaled \$3,905,802. Approximately 33 percent of the City's costs relate to the provision of utility services. Public safety costs account for 29 percent and public works costs account for 17 percent of the City's total costs.

Changes in net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Program revenues:						
Charges for services	\$ 177,915	\$ 159,060	\$ 1,385,512	\$ 1,353,208	\$ 1,563,427	\$ 1,512,268
Operating grants and contributor	349,088	351,022	-	-	349,088	351,022
Capital grants and contributions	40,950	60,111	-	-	40,950	60,111
General revenues:						
Property taxes	1,477,621	1,385,170	-	-	1,477,621	1,385,170
State shared revenue	416,791	425,854	-	-	416,791	425,854
Unrestricted interest income	119,112	99,320	34,372	21,946	153,484	121,266
Other	94,107	102,270	20,000	-	114,107	102,270
Transfers	92,743	53,114	(92,743)	(53,114)	-	-
Total revenues	<u>2,768,327</u>	<u>2,635,921</u>	<u>1,347,141</u>	<u>1,322,040</u>	<u>4,115,468</u>	<u>3,957,961</u>
Expenses:						
Legislative	9,150	9,150	-	-	9,150	9,150
General government	410,639	475,744	-	-	410,639	475,744
Public safety	1,150,179	1,106,831	-	-	1,150,179	1,106,831
Public works	671,842	694,108	-	-	671,842	694,108
Community and economic development	75,670	86,240	-	-	75,670	86,240
Recreation and culture	204,390	219,356	-	-	204,390	219,356
Sewer	-	-	881,397	926,469	881,397	926,469
Water	-	-	414,056	392,369	414,056	392,369
Airport	-	-	88,479	68,283	88,479	68,283
Total expenses	<u>2,521,870</u>	<u>2,591,429</u>	<u>1,383,932</u>	<u>1,387,121</u>	<u>3,905,802</u>	<u>3,978,550</u>
Special item - capital contribution to component unit	<u>722,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>722,593</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ (476,136)</u>	<u>\$ 44,492</u>	<u>\$ (36,791)</u>	<u>\$ (65,081)</u>	<u>\$ (512,927)</u>	<u>\$ (20,589)</u>



**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Governmental activities.** Governmental activities decreased the City's net assets by \$476,136 compared to a \$44,492 increase in the prior year. Revenues increased by \$132,406 while expenses decreased by \$69,559. General revenues and transfers in, totaling \$2,200,374, exceeded the net cost of providing governmental services by \$246,457. However, contributions to the Brownfield Redevelopment Authority, in the amount of \$722,593, caused to net assets to decrease by \$476,136.

The cost of all governmental activities this year was \$2,521,870. After subtracting the direct charges to those who directly benefited from the programs (\$177,915), and operating and capital grants and contributions (\$390,038), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$1,953,917.

**Business-type activities.** Business-type activities decreased the City's net assets by \$36,791 in the current fiscal year compared to a \$65,081 decrease in the prior year. The decreases can be explained by the fact that billing rates are not set to cover the full cost of operations, including depreciation, and transfers out of the City's utility systems.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental funds.** As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,887,537, a decrease of \$438,608 in comparison with the prior year. Of the total fund balances, \$12,551 is reserved for public safety expenditures. The remainder of the fund balances are unreserved and, therefore, available for spending at the Council's discretion. A portion of the City's governmental fund balances, in the amount of \$769,594, has been designated for future capital purchases.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance was \$294,585, which represents 16 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance decreased by \$547,600 during the fiscal year primarily due to a capital contribution to the Brownfield Redevelopment Authority in the amount of \$660,367.

The Major Street Fund experienced a decrease in fund balance of \$29,330 during the fiscal year because construction costs exceed revenues in the current year.

The Fire Reserve Fund experienced an increase in fund balance of \$105,813 because property taxes and other revenues exceeded the costs of capital acquisitions in the current year.

The Capital Improvement Fund experienced an increase in fund balance of \$38,639 during the fiscal year primarily because current year property tax revenues were sufficient to finance the \$62,226 capital contribution to the Brownfield Redevelopment Authority.

**Proprietary funds.**

The Sewer Fund and Water Fund experienced decreases in net assets of \$67,890 and 3,531, respectively. The primary reason for the decreases is explained above.

**City of Plainwell**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**General Fund budgetary highlights**

Total budgeted expenditures were increased by \$52,355 during the year to reflect anticipated cost increases. Revenues were \$15,150 less than anticipated while expenditures were \$64,933 less than the amounts appropriated and none of the variances were significant. These variances resulted in a \$49,783 positive budget variance and a \$547,600 decrease in fund balance compared to a budgeted decrease of \$597,383.

**Capital assets and debt administration**

**Capital assets:**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$8,562,665 (net of accumulated depreciation). This investment includes a broad range of assets including land, buildings, police and fire equipment, and sewer and water facilities. The decrease in the City's net investment in capital assets for the current fiscal year was \$305,430. The net investment in capital assets was decreased by governmental activities and business-type activities by \$16,325 and \$289,105, respectively.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Land	\$ 335,970	\$ 48,196	\$ 384,166
Infrastructure	726,554	6,727,107	7,453,661
Buildings and improvements	360,378	-	360,378
Equipment and vehicles	364,460	-	364,460
Totals	<u>\$ 1,787,362</u>	<u>\$ 6,775,303</u>	<u>\$ 8,562,665</u>

Major capital asset events during the current fiscal year included the following:

- Infrastructure improvements, such as sidewalks and paving projects, were completed with costs amounting to \$87,687.
- The internal service fund acquired equipment totaling \$68,213.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

**Long-term debt:**

At the end of the fiscal year, the City had bonds payable outstanding in the amount of \$1,040,000 which represents a decrease of \$65,000. These bonds are secured solely by specific revenue sources (i.e., revenue bonds) of the Water Fund.

Other long-term obligations of the governmental activities, totaling \$123,829, represent accrued compensated absences.

More detailed information about the City's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

**Economic condition and outlook**

In August of 2006, the City Council took the action of purchasing the former Plainwell Paper Company which consists of 36 acres of property attached to our downtown. Moving forward on that redevelopment goal, it must be noted that our ability to predict the City's development (and holding) costs is unclear.

Due to the large reductions in both the General and Capital Improvement Funds (due to the Plainwell Paper purchase), coupled with the condition of Michigan's economy, it will be imperative to monitor our day to day expenditures to assure adequate cash flows.

With modest increases in tax revenue and decreasing or stagnant state shared revenue, our ability to increase fund balance in the foreseeable future will be limited. The City Council has consistently pledged not to raise taxes.

Like many communities across Michigan, Plainwell will adhere to strict spending limitations.

**Contacting the City's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Erik Wilson, City Manager  
Karen Koehn, City Treasurer/Finance Director  
141 North Main Street  
Plainwell, Michigan 49080

Phone: (269) 685-6821

## INDEPENDENT AUDITORS' REPORT

City Council  
City of Plainwell, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Plainwell, Michigan, as of June 30, 2007, and for the year then ended, which collectively comprise the City of Plainwell, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the City of Plainwell, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Plainwell, Michigan, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



1958-2008

City Council  
City of Plainwell, Michigan  
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Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Plainwell, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Plainwell, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

October 11, 2007

## **BASIC FINANCIAL STATEMENTS**

**City of Plainwell**  
**STATEMENT OF NET ASSETS**  
June 30, 2007

	<b>Primary government</b>		
	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,718,818	\$ 592,469	\$ 2,311,287
Receivables	155,816	115,731	271,547
Internal balances	305,256	(205,512)	99,744
Total current assets	2,179,890	502,688	2,682,578
Noncurrent assets:			
Assets held for resale - redevelopment property	-	-	-
Capital assets not being depreciated - land	335,970	48,196	384,166
Capital assets, net of depreciation	1,451,392	6,727,107	8,178,499
Total noncurrent assets	1,787,362	6,775,303	8,562,665
Total assets	3,967,252	7,277,991	11,245,243
<b>LIABILITIES</b>			
Current liabilities:			
Payables	71,179	64,756	135,935
Bonds payable	-	70,000	70,000
Total current liabilities	71,179	134,756	205,935
Noncurrent liabilities:			
Compensated absences	123,829	-	123,829
Bonds payable	-	970,000	970,000
Total noncurrent liabilities	123,829	970,000	1,093,829
Total liabilities	195,008	1,104,756	1,299,764
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,787,362	5,735,303	7,522,665
Restricted for:			
Public safety	12,551	-	12,551
Public works	505,551	-	505,551
Unrestricted	1,466,780	338,188	1,804,968
Total net assets	\$ 3,772,244	\$ 6,073,491	\$ 9,845,735

<b>Component units</b>	
<b><u>Tax Increment Finance Authority</u></b>	<b><u>Brownfield Redevelopment Authority</u></b>
\$ 176,342	\$ 5,789
700	-
-	-
<u>177,042</u>	<u>5,789</u>
-	665,279
-	-
-	-
<u>-</u>	<u>665,279</u>
<u>177,042</u>	<u>671,068</u>
-	3,228
-	-
<u>-</u>	<u>3,228</u>
-	-
-	-
-	-
<u>-</u>	<u>3,228</u>
-	665,279
-	-
-	-
<u>177,042</u>	<u>2,561</u>
<u>\$ 177,042</u>	<u>\$ 667,840</u>

See notes to the financial statements



**City of Plainwell**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
<b>Primary government</b>				
Governmental activities:				
Legislative	\$ 9,150	\$ -	\$ -	\$ -
General government	410,639	50,253	-	-
Public safety	1,150,179	92,728	-	9,331
Public works	671,842	34,934	349,088	31,619
Community and economic development	75,670	-	-	-
Recreation and culture	204,390	-	-	-
Total governmental activities	<u>2,521,870</u>	<u>177,915</u>	<u>349,088</u>	<u>40,950</u>
Business-type activities:				
Sewer	881,397	876,044	-	-
Water	414,056	427,604	-	-
Airport	88,479	81,864	-	-
Total business-type activities	<u>1,383,932</u>	<u>1,385,512</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$3,905,802</u>	<u>\$ 1,563,427</u>	<u>\$ 349,088</u>	<u>\$ 40,950</u>
<b>Component units</b>				
Tax Increment Finance Authority	\$ 32,177	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	185,491	-	-	722,593
Total component units	<u>\$ 217,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,593</u>
General revenues:				
Property taxes				
State shared revenue				
Unrestricted interest income				
Cable television franchise fees				
Gain on sale of capital assets				
Miscellaneous				
Special item - capital contribution to component unit				
Transfers				
Total				
<b>Change in net assets</b>				
<b>Net assets - beginning</b>				
<b>Net assets - ending</b>				

<i>Net (expenses) revenues and changes in net assets</i>				
<i>Primary government</i>			<i>Component units</i>	
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Tax Increment Finance Authority</i>	<i>Brownfield Redevelopment Authority</i>
\$ (9,150)		\$ (9,150)		
(360,386)		(360,386)		
(1,048,120)		(1,048,120)		
(256,201)		(256,201)		
(75,670)		(75,670)		
(204,390)		(204,390)		
<u>(1,953,917)</u>		<u>(1,953,917)</u>		
	\$ (5,353)	(5,353)		
	13,548	13,548		
	<u>(6,615)</u>	<u>(6,615)</u>		
	1,580	1,580		
<u>(1,953,917)</u>	<u>1,580</u>	<u>(1,952,337)</u>		
			\$ (32,177)	\$ -
			<u>-</u>	<u>537,102</u>
			<u>(32,177)</u>	<u>537,102</u>
1,477,621	-	1,477,621	-	-
416,791	-	416,791	-	-
119,112	34,372	153,484	9,752	-
34,381	-	34,381	-	-
-	20,000	20,000	-	-
59,726	-	59,726	-	4,738
(722,593)	-	(722,593)	-	-
92,743	(92,743)	-	-	-
<u>1,477,781</u>	<u>(38,371)</u>	<u>1,439,410</u>	<u>9,752</u>	<u>4,738</u>
(476,136)	(36,791)	(512,927)	(22,425)	541,840
<u>4,248,380</u>	<u>6,110,282</u>	<u>10,358,662</u>	<u>199,467</u>	<u>126,000</u>
<u>\$ 3,772,244</u>	<u>\$ 6,073,491</u>	<u>\$ 9,845,735</u>	<u>\$ 177,042</u>	<u>\$ 667,840</u>

See notes to the financial statements

**City of Plainwell**  
**BALANCE SHEET - governmental funds**  
June 30, 2007

	<b>Major funds</b>			
	<b>General</b>	<b>Major Street</b>	<b>Fire Reserve</b>	<b>Capital Improvement</b>
<b>ASSETS</b>				
Cash	\$ 234,643	\$ 190,581	\$ 589,079	\$ 180,515
Receivables	112,700	31,023	-	-
Interfund receivable	-	-	-	305,256
Total assets	<u>\$ 347,343</u>	<u>\$ 221,604</u>	<u>\$ 589,079</u>	<u>\$ 485,771</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities - payables	<u>\$ 40,207</u>	<u>\$ 18,667</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:				
Reserved for:				
Public safety	12,551	-	-	-
Long-term interfund receivable	-	-	-	305,256
Unreserved:				
Designated for capital acquisitions	-	-	589,079	180,515
Undesignated	294,585	202,937	-	-
Unreserved, reported in nonmajor - special revenue funds	-	-	-	-
Total fund balances	<u>307,136</u>	<u>202,937</u>	<u>589,079</u>	<u>485,771</u>
Total liabilities and fund balances	<u>\$ 347,343</u>	<u>\$ 221,604</u>	<u>\$ 589,079</u>	<u>\$ 485,771</u>

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Some liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

The assets and liabilities of the internal service fund are included in the *governmental activities* in the statement of net assets.

Net assets of *governmental activities*

<i><b>Nonmajor funds</b></i>	<i><b>Total governmental funds</b></i>
\$ 292,131	\$ 1,486,949
12,093	155,816
-	305,256
<u>\$ 304,224</u>	<u>\$ 1,948,021</u>
<u>\$ 1,610</u>	<u>\$ 60,484</u>
-	12,551
-	305,256
-	769,594
-	497,522
<u>302,614</u>	<u>302,614</u>
<u>302,614</u>	<u>1,887,537</u>
<u>\$ 304,224</u>	<u>\$ 1,948,021</u>
	\$ 1,887,537
	1,618,450
	(123,829)
	<u>390,086</u>
	<u>\$ 3,772,244</u>

**City of Plainwell****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCES - governmental funds**

Year ended June 30, 2007

	<i>Major funds</i>			
	<i>General</i>	<i>Major Street</i>	<i>Fire Reserve</i>	<i>Capital Improvement</i>
<b>REVENUES</b>				
Property taxes	\$ 1,221,355	\$ -	\$ 92,024	\$ 92,024
Licenses and permits	53,257	-	-	-
State grants	416,791	190,912	-	-
Federal grant	-	-	9,331	-
Intergovernmental	57,679	16,452	-	-
Fines and forfeitures	16,173	-	-	-
Interest and rentals	40,001	10,157	28,982	9,983
Other	41,114	32,193	-	-
Total revenues	<u>1,846,370</u>	<u>249,714</u>	<u>130,337</u>	<u>102,007</u>
<b>EXPENDITURES</b>				
Legislative	9,150	-	-	-
General government	385,749	-	142	1,142
Public safety	1,088,748	-	-	-
Public works	103,956	279,044	-	-
Community and economic development	74,697	-	-	-
Recreation and culture	157,620	-	-	-
Capital outlay	26,723	-	9,791	-
Total expenditures	<u>1,846,643</u>	<u>279,044</u>	<u>9,933</u>	<u>1,142</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(273)</u>	<u>(29,330)</u>	<u>120,404</u>	<u>100,865</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	113,912	-	-	-
Transfers out	(872)	-	(14,591)	-
Total other financing sources (uses)	<u>113,040</u>	<u>-</u>	<u>(14,591)</u>	<u>-</u>
<b>SPECIAL ITEM</b>				
Capital contributions to component unit	<u>(660,367)</u>	<u>-</u>	<u>-</u>	<u>(62,226)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(547,600)</u>	<u>(29,330)</u>	<u>105,813</u>	<u>38,639</u>
<b>FUND BALANCES - BEGINNING</b>	<u>854,736</u>	<u>232,267</u>	<u>483,266</u>	<u>447,132</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 307,136</u>	<u>\$ 202,937</u>	<u>\$ 589,079</u>	<u>\$ 485,771</u>

<b><i>Nonmajor funds</i></b>	<b><i>Total governmental funds</i></b>
\$ 122,471	\$ 1,527,874
-	53,257
74,642	682,345
-	9,331
67,082	141,213
-	16,173
17,444	106,567
36,289	109,596
<u>317,928</u>	<u>2,646,356</u>
-	9,150
-	387,033
-	1,088,748
318,625	701,625
-	74,697
-	157,620
6,305	42,819
<u>324,930</u>	<u>2,461,692</u>
<u>(7,002)</u>	<u>184,664</u>
872	114,784
-	(15,463)
<u>872</u>	<u>99,321</u>
-	(722,593)
(6,130)	(438,608)
<u>308,744</u>	<u>2,326,145</u>
<u>\$ 302,614</u>	<u>\$ 1,887,537</u>

See notes to the financial statements

**City of Plainwell**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

Year ended June 30, 2007

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Net change in fund balances - total governmental funds	\$ (438,608)
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Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: Capital asset acquisitions	87,687
Deduct: Provision for depreciation	(117,109)

Changes in other liabilities:

Net increase in compensated absences	4,453
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The net expenses of the internal service fund are reported with  
with *governmental activities*.

(12,559)
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Change in net assets of <i>governmental activities</i>	<u>\$ (476,136)</u>
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See notes to the financial statements

**City of Plainwell**  
**STATEMENT OF NET ASSETS - proprietary funds**  
June 30, 2007

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor fund</b>	<b>Totals</b>	<b>Internal service</b>
<b>ASSETS</b>					
Current assets:					
Cash	\$ -	\$ 550,859	\$ 41,610	\$ 592,469	\$ 231,869
Receivables	74,557	39,705	1,469	115,731	-
Total current assets	74,557	590,564	43,079	708,200	231,869
Noncurrent assets:					
Capital assets not being depreciated - land	400	17,346	30,450	48,196	-
Capital assets, net of depreciation	4,001,018	2,694,366	31,723	6,727,107	168,912
Total noncurrent assets	4,001,418	2,711,712	62,173	6,775,303	168,912
Total assets	4,075,975	3,302,276	105,252	7,483,503	400,781
<b>LIABILITIES</b>					
Current liabilities:					
Payables	38,221	25,742	793	64,756	10,695
Interfund loan	99,744	-	-	99,744	-
Bonds payable	-	70,000	-	70,000	-
Total current liabilities	137,965	95,742	793	234,500	10,695
Noncurrent liabilities:					
Interfund loan	205,512	-	-	205,512	-
Bonds payable	-	970,000	-	970,000	-
Total noncurrent liabilities	205,512	970,000	-	1,175,512	-
Total liabilities	343,477	1,065,742	793	1,410,012	10,695
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	4,001,418	1,671,712	62,173	5,735,303	168,912
Unrestricted (deficit)	(268,920)	564,822	42,286	338,188	221,174
Total net assets	\$3,732,498	\$2,236,534	\$ 104,459	\$ 6,073,491	\$ 390,086

See notes to the financial statements



**City of Plainwell**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**

**proprietary funds**

Year ended June 30, 2007

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor fund</b>	<b>Totals</b>	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 861,155	\$ 389,059	\$ 60,529	\$1,310,743	\$ 221,267
Other	14,889	38,545	21,335	74,769	8,581
Total operating revenues	876,044	427,604	81,864	1,385,512	229,848
<b>OPERATING EXPENSES</b>					
Administration	170,803	116,849	80,100	367,752	-
Treatment	449,776	81,374	-	531,150	-
Collection	66,372	89,962	-	156,334	-
Costs of interfund services	-	-	-	-	188,664
Depreciation	198,610	112,373	8,527	319,510	55,116
Total operating expenses	885,561	400,558	88,627	1,374,746	243,780
<b>OPERATING INCOME (LOSS)</b>	(9,517)	27,046	(6,763)	10,766	(13,932)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain on disposition of capital assets	-	-	20,000	20,000	16,683
Interest revenue	3,518	29,164	1,690	34,372	12,545
Interest expense	(4,050)	(26,413)	-	(30,463)	-
Total nonoperating revenues (expenses)	(532)	2,751	21,690	23,909	29,228
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(10,049)	29,797	14,927	34,675	15,296
Transfers out - General Fund	(57,841)	(33,328)	(1,574)	(92,743)	(6,578)
<b>CHANGE IN NET ASSETS</b>	(67,890)	(3,531)	13,353	(58,068)	8,718
<b>NET ASSETS - BEGINNING</b>	3,800,388	2,240,065	91,106	6,131,559	381,368
<b>NET ASSETS - ENDING</b>	\$3,732,498	\$2,236,534	\$ 104,459	\$6,073,491	\$ 390,086
Change in net assets - total enterprise funds				\$ (58,068)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				21,277	
Change in net assets of business-type activities				\$ (36,791)	

See notes to the financial statements

**City of Plainwell**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended June 30, 2007

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor fund</b>	<b>Totals</b>	<b>Internal service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 870,827	\$ 425,924	\$ 81,825	\$ 1,378,576	\$ -
Receipts from interfund services provided	-	-	-	-	229,848
Payments to suppliers	(468,491)	(165,146)	(77,093)	(710,730)	(129,403)
Payments to employees	(212,646)	(103,584)	(3,118)	(319,348)	(59,210)
Internal activity - payments to other funds	(8,098)	(12,985)	(46)	(21,129)	-
Net cash provided by operating activities	181,592	144,209	1,568	327,369	41,235
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers out - General Fund	(57,841)	(33,328)	(1,574)	(92,743)	(6,578)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Payment on interfund loan	(99,744)	-	-	(99,744)	-
Proceeds from sale of capital assets	-	-	20,000	20,000	16,683
Acquisition of capital assets	(23,475)	(6,930)	-	(30,405)	(68,213)
Principal paid on capital debt	-	(65,000)	-	(65,000)	-
Interest paid on capital debt	(4,050)	(26,813)	-	(30,863)	-
Net cash provided by (used in) capital and related financing activities	(127,269)	(98,743)	20,000	(206,012)	(51,530)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	3,518	29,164	1,690	34,372	12,545
<b>NET INCREASE (DECREASE) IN CASH</b>	-	41,302	21,684	62,986	(4,328)
<b>CASH - BEGINNING</b>	-	509,557	19,926	529,483	236,197
<b>CASH - ENDING</b>	\$ -	\$ 550,859	\$ 41,610	\$ 592,469	\$ 231,869

See notes to the financial statements

**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended June 30, 2007

	<i>Business-type activities</i>				<i>Governmental activities</i>
	<i>Enterprise funds</i>				<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Airport</i>	<i>Totals</i>	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (9,517)	\$ 27,046	\$ (6,763)	\$ 10,766	\$ (13,932)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	198,610	112,373	8,527	319,510	55,116
Changes in assets and liabilities:					
Receivables	(5,217)	(1,680)	(39)	(6,936)	-
Payables	(2,284)	6,470	(157)	4,029	51
Net cash provided by operating activities	<u>\$ 181,592</u>	<u>\$ 144,209</u>	<u>\$ 1,568</u>	<u>\$ 327,369</u>	<u>\$ 41,235</u>

See notes to the financial statements

**City of Plainwell**  
**STATEMENT OF FIDUCIARY NET ASSETS - agency fund**  
*June 30, 2007*

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**ASSETS**

Cash	\$ 76,880
Due from other governmental units	<u>230,638</u>
Total assets	<u>\$ 307,518</u>

**LIABILITIES**

Due to other governmental units	\$ 276,812
Due to others	<u>30,706</u>
Total liabilities	<u>\$ 307,518</u>

*See notes to the financial statements*

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Plainwell, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

*Discretely-presented component units:*

*Tax Increment Financing Authority and Brownfield Redevelopment Authority:*

These units are presented in separate columns in the financial statements to emphasize that they are legally separate from the City. Separate financial statements of the component units have not been issued, as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component units. Each component unit's governing body is appointed by the City Council and their budget must be approved by the City Council.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Fire Reserve Fund accounts for property taxes allocated from the general operating millage that are to be used for acquisitions of fire protection equipment.

The Capital Improvement Fund accounts for property taxes allocated from the general operating millage that the City Council has designated for future capital improvements.

The City reports the following major enterprise funds:

The Sewer Fund accounts for the activities of the City's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports an internal service fund that accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is allocated proportionately to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets beginning July 1, 2003, as permitted by GASB No. 34.

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (continued):**

*iv) Capital assets (continued)* - Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 25 years
Vehicles	4 - 20 years
Sewer and water systems	50 years
Streets	10 - 25 years

*v) Compensated absences (vacation and sick leave)* - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vii) Property tax revenue recognition:*

Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 15, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year. The City experienced no significant budget variances during the fiscal year.

*Fund deficit* - As of June 30, 2007, the City's Sewer Fund, an enterprise fund, has an accumulated unrestricted net asset deficit, in the amount of \$268,920, that arose from financing a capital project through an interfund loan from the Capital Improvement Fund. The Sewer Fund is expected to repay the loan over the next three years.



**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

Cash, as presented in the accompanying financial statements, consists of the following:

	<u>Govern- mental activities</u>	<u>Business- type activities</u>	<u>Fiduciary</u>	<u>Total primary government</u>	<u>Total component units</u>	<u>Total</u>
Deposits	\$1,717,818	\$ 592,469	\$ 76,880	\$ 2,387,167	\$ 182,131	\$2,569,298
Cash on hand	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Totals	<u>\$1,718,818</u>	<u>\$ 592,469</u>	<u>\$ 76,880</u>	<u>\$ 2,388,167</u>	<u>\$ 182,131</u>	<u>\$2,570,298</u>

*Deposits with financial institutions* - State statutes and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. The City maintains individual and pooled cash accounts for all of its funds and its component units. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units. As of June 30, 2007, \$2,373,156 of the City's bank balances (including those of the component units) of \$2,589,379 was exposed to custodial credit risk because it was uninsured. The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 4 - RECEIVABLES:**

At June 30, 2007, the City's receivables are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Inter- governmental</i>	<i>Totals</i>
Governmental funds:			
General	\$ 36,251	\$ 76,449	\$ 112,700
Major Street	-	31,023	31,023
Nonmajor funds	<u>159</u>	<u>11,934</u>	<u>12,093</u>
 Totals	 <u>\$ 36,410</u>	 <u>\$ 119,406</u>	 <u>\$ 155,816</u>
Proprietary funds:			
Sewer	\$ 74,557	\$ -	\$ 74,557
Water	39,705		39,705
Nonmajor fund	<u>1,469</u>	<u>-</u>	<u>1,469</u>
 Totals	 <u>\$ 115,731</u>	 <u>\$ -</u>	 <u>\$ 115,731</u>
Component unit:			
Tax increment Finance Authority	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 700</u>

All receivables are due within one year and are considered fully collectible.

**NOTE 5 - ASSETS HELD FOR RESALE - REDEVELOPMENT PROPERTY:**

The Brownfield Redevelopment Authority, a component unit of the City, acquired property for the purpose of economic development. The Authority intends to resell the property to private-sector purchasers. The proceeds of the potential sale of the property will be transferred to the City's General Fund which principally financed the acquisition.

## NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007 was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 335,970	\$ -	\$ -	\$ 335,970
Capital assets being depreciated:				
Streets and sidewalks	276,042	87,687	-	363,729
Land improvements	859,093	-	-	859,093
Buildings and improvements	747,745	-	-	747,745
Equipment and vehicles	<u>1,723,094</u>	<u>68,213</u>	<u>(76,721)</u>	<u>1,868,028</u>
Subtotal	<u>3,605,974</u>	<u>155,900</u>	<u>(76,721)</u>	<u>3,838,595</u>
Less accumulated depreciation for:				
Streets and sidewalks	(15,136)	(17,478)	-	(32,614)
Land improvements	(430,867)	(32,787)	-	(463,654)
Buildings and improvements	(367,821)	(19,546)	-	(387,367)
Equipment and vehicles	<u>(1,324,433)</u>	<u>(102,414)</u>	<u>76,721</u>	<u>(1,503,568)</u>
Subtotal	<u>(2,138,257)</u>	<u>(172,225)</u>	<u>76,721</u>	<u>(2,387,203)</u>
Total capital assets being depreciated, net	<u>1,467,717</u>	<u>(16,325)</u>	<u>-</u>	<u>1,451,392</u>
Governmental activities capital assets, net	<u>\$1,803,687</u>	<u>\$ (16,325)</u>	<u>\$ -</u>	<u>\$1,787,362</u>

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - CAPITAL ASSETS (Continued):**

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 48,196	\$ -	\$ -	\$ 48,196
Capital assets being depreciated:				
Sewer system	9,047,353	23,475	(103,223)	8,967,605
Water system	4,379,138	6,930	(403)	4,385,665
Airport	152,974	-	(10,078)	142,896
Subtotal	13,579,465	30,405	(113,704)	13,496,166
Less accumulated depreciation for:				
Sewer system	(4,871,200)	(198,610)	103,223	(4,966,587)
Water system	(1,579,329)	(112,373)	403	(1,691,299)
Airport	(112,724)	(8,527)	10,078	(111,173)
Subtotal	(6,563,253)	(319,510)	113,704	(6,769,059)
Total capital assets being depreciated, net	7,016,212	(289,105)	-	6,727,107
Business-type activities capital assets, net	\$ 7,064,408	\$ (289,105)	\$ -	\$ 6,775,303

Depreciation expense was charged to the City's activities as follows:

Governmental activities:	
General government	\$ 14,887
Public safety	38,815
Public works	19,221
Culture and recreation	44,186
Depreciation on internal service fund assets	55,116
Total governmental activities	\$ 172,225
Business-type activities:	
Sewer	\$ 198,610
Water	112,373
Airport	8,527
Total business-type activities	\$ 319,510

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - PAYABLES:**

At June 30, 2007, the City's payables are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental funds:				
General	\$ 20,857	\$ 19,350		\$ 40,207
Major Street	18,667	-		18,667
Nonmajor funds	<u>1,610</u>	<u>-</u>		<u>1,610</u>
Totals	<u>\$ 41,134</u>	<u>\$ 19,350</u>		<u>\$ 60,484</u>
Proprietary funds:				
Sewer	\$ 24,721	\$ 13,500	\$ -	\$ 38,221
Water	7,742	11,500	6,500	25,742
Nonmajor fund	<u>293</u>	<u>500</u>	<u>-</u>	<u>793</u>
Totals	<u>\$ 32,756</u>	<u>\$ 25,500</u>	<u>\$ 6,500</u>	<u>\$ 64,756</u>
Internal service - equipment	<u>\$ 5,095</u>	<u>\$ 5,600</u>	<u>\$ -</u>	<u>\$ 10,695</u>
Component units:				
Brownfield Redevelopment Authority				<u>\$ 3,228</u>

**NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At June 30, 2007, the composition of interfund balances follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Capital Improvement	<u>\$ 305,256</u>	Sewer	<u>\$ 305,256</u>

The Capital Improvement Fund provided an interfund loan to the Sewer Fund to finance a portion of the cost capital improvements in prior years. The loan is to be repaid over the next three years.

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):**

A summary of interfund transfers for the year ended June 30, 2007, are as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	\$ 14,591	Fire Reserve	\$ 14,591
General	99,321	Sewer	57,841
		Water	33,328
		Airport	1,574
		Equipment	6,578
			<u>99,321</u>
Local Street	<u>872</u>	General	<u>872</u>
Totals	<u>\$ 114,784</u>	Totals	<u>\$ 114,784</u>

The Fire Reserve Fund transferred \$14,591 to the General Fund to finance a portion of the costs of fire protection.

The proprietary funds transferred \$99,321 to the General Fund as part of the City's payment in lieu of taxes program. The payments are classified as transfers as the transaction does not involve an exchange for services provided.

The General Fund transferred \$872 to the Local Street Fund to finance a portion of the Local Street Fund's administrative costs.

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 - NONCURRENT LIABILITIES:**

At June 30, 2007, noncurrent liabilities are comprised of the following individual issues:

Governmental activities:	
Accrued employee benefits	<u>\$ 123,829</u>
Business-type activities:	
Bonds payable:	
\$1,570,000 1999 Water Supply System revenue bonds - payable in annual installments ranging from \$65,000 to \$90,000, plus interest at 2.50%; final payment due October 2019	<u>\$ 1,040,000</u>

Noncurrent liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	<u>\$ 128,282</u>	<u>\$ 74,546</u>	<u>\$ 78,999</u>	<u>\$ 123,829</u>	<u>\$ -</u>
Business-type activities:					
1999 Revenue bonds	<u>\$ 1,105,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 1,040,000</u>	<u>\$ 70,000</u>

At June 30, 2007, debt service requirements, with the exception of compensated absences, are as follows:

	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2008	\$ 70,000	\$ 25,125
2009	70,000	23,375
2010	70,000	21,625
2011	75,000	19,813
2012	75,000	17,938
2013 - 2017	410,000	59,749
2018 - 2020	<u>270,000</u>	<u>10,125</u>
	<u>\$ 1,040,000</u>	<u>\$ 177,750</u>

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - RETIREMENT PLAN:**

The City provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The City contributes 10% of each qualified employee's base salary to the plan. The City's contributions are fully vested immediately. The City is not a trustee of the plan, nor is the City responsible for investment management of plan assets.

The City and employees made the required contributions of \$146,436 and \$126,429, respectively.

**NOTE 11 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended June 30, 2007, is as follows:

Revenues	\$ 18,876
Expenses	<u>15,054</u>
Excess of revenues over expenses	<u>\$ 3,822</u>

**NOTE 12 - RISK MANAGEMENT:**

The City is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**NOTE 13 - CONTINGENCY:**

The Tax Increment Finance Authority, a component unit of the City, has adopted a tax increment financing plan (the plan) that allows the Authority (the Authority) to expend tax increment revenues for purposes of furthering the development program contemplated in the plan. At June 30, 2007, the Authority's fund balance was \$177,042. The Authority intends to use the available fund balance to complete the development program. However, any funds remaining after completion of the development program shall revert proportionately to the respective taxing entities, including the City, from which the tax increment revenues were derived.

**NOTE 14 - SPECIAL ITEM:**

The General Fund and the Capital Improvement Fund contributed \$660,367 and \$62,226, respectively, to the Brownfield Redevelopment Authority to finance the acquisition of property that is to be redeveloped.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Plainwell****BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,151,750	\$ 1,161,050	\$ 1,221,355	\$ 60,305
Licenses and permits	45,000	48,370	53,257	4,887
State grants	425,000	425,000	416,791	(8,209)
Intergovernmental	51,000	51,000	57,679	6,679
Fines and forfeitures	13,700	16,095	16,173	78
Interest	22,117	37,997	40,001	2,004
Other	122,008	122,008	41,114	(80,894)
<b>Total revenues</b>	<u>1,830,575</u>	<u>1,861,520</u>	<u>1,846,370</u>	<u>(15,150)</u>
<b>EXPENDITURES</b>				
Legislative - City Council	<u>9,151</u>	<u>9,151</u>	<u>9,150</u>	<u>1</u>
General government:				
Elections	19,689	19,689	18,015	1,674
Administration	250,865	254,215	244,241	9,974
Assessor	23,109	23,409	24,982	(1,573)
Building and grounds	101,616	101,616	94,150	7,466
Community promotion	3,125	4,125	4,361	(236)
<b>Total general government</b>	<u>398,404</u>	<u>403,054</u>	<u>385,749</u>	<u>17,305</u>
Public safety:				
Department of Public Safety:				
Police protection	971,387	971,387	959,611	11,776
Fire protection	141,890	141,890	129,137	12,753
<b>Total public safety</b>	<u>1,113,277</u>	<u>1,113,277</u>	<u>1,088,748</u>	<u>24,529</u>
Public works:				
Department of Public Works	66,504	74,104	71,881	2,223
Street lighting	28,000	29,810	32,075	(2,265)
<b>Total public works</b>	<u>94,504</u>	<u>103,914</u>	<u>103,956</u>	<u>(42)</u>
Community and economic development - community development	<u>79,217</u>	<u>79,217</u>	<u>74,697</u>	<u>4,520</u>

**City of Plainwell**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Recreation and culture:				
Parks	\$ 93,607	\$ 115,802	\$ 112,855	\$ 2,947
Flowers and beautification	18,038	21,238	18,258	2,980
Special events	14,136	16,536	16,506	30
Forestry	5,599	5,599	4,481	1,118
School recreation	5,520	5,520	5,520	-
Total recreation and culture	<u>136,900</u>	<u>164,695</u>	<u>157,620</u>	<u>7,075</u>
Capital outlay	<u>28,640</u>	<u>39,140</u>	<u>26,723</u>	<u>12,417</u>
Total expenditures	<u>1,860,093</u>	<u>1,912,448</u>	<u>1,846,643</u>	<u>65,805</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(29,518)</u>	<u>(50,928)</u>	<u>(273)</u>	<u>50,655</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
Sewer Fund	57,841	57,841	57,841	-
Water Fund	33,328	33,328	33,328	-
Airport Fund	1,574	1,574	1,574	-
Equipment Fund	6,578	6,578	6,578	-
Fire Reserve Fund	14,591	14,591	14,591	-
Total transfers in	<u>113,912</u>	<u>113,912</u>	<u>113,912</u>	<u>-</u>
Transfer out - Local Street Fund	<u>-</u>	<u>-</u>	<u>(872)</u>	<u>(872)</u>
Total other financing sources (uses)	<u>113,912</u>	<u>113,912</u>	<u>113,040</u>	<u>(872)</u>
<b>SPECIAL ITEM</b>				
Capital contribution to component unit	<u>(660,367)</u>	<u>(660,367)</u>	<u>(660,367)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(575,973)</u>	<u>(597,383)</u>	<u>(547,600)</u>	<u>49,783</u>
<b>FUND BALANCES - BEGINNING</b>	<u>854,736</u>	<u>854,736</u>	<u>854,736</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 278,763</u>	<u>\$ 257,353</u>	<u>\$ 307,136</u>	<u>\$ 49,783</u>

**City of Plainwell****BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 568,450	\$ 568,450	\$ 190,912	\$ (377,538)
Intergovernmental	182,000	186,450	16,452	(169,998)
Interest	7,000	10,150	10,157	7
Other	20,000	20,000	32,193	12,193
Total revenues	<u>777,450</u>	<u>785,050</u>	<u>249,714</u>	<u>(535,336)</u>
<b>EXPENDITURES</b>				
Public works:				
Construction	562,000	562,000	-	562,000
Preservation	197,869	242,113	213,200	28,913
Traffic services	15,795	19,995	13,780	6,215
Winter maintenance	36,390	39,390	43,780	(4,390)
Administration	8,164	8,164	8,284	(120)
Total expenditures	<u>820,218</u>	<u>871,662</u>	<u>279,044</u>	<u>592,618</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(42,768)	(86,612)	(29,330)	57,282
<b>OTHER FINANCING USES</b>				
Transfer out - Local Street Fund	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(62,768)	(106,612)	(29,330)	77,282
<b>FUND BALANCES - BEGINNING</b>	<u>232,267</u>	<u>232,267</u>	<u>232,267</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 169,499</u>	<u>\$ 125,655</u>	<u>\$ 202,937</u>	<u>\$ 77,282</u>

**City of Plainwell**

**BUDGETARY COMPARISON SCHEDULE - Fire Reserve Fund**

Year ended June 30, 2007

	<b><u>Original budget</u></b>	<b><u>Amended budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance favorable (unfavorable)</u></b>
<b>REVENUES</b>				
Property taxes	\$ 86,800	\$ 86,800	\$ 92,024	\$ 5,224
Federal grant	9,331	9,331	9,331	-
Interest	10,000	10,000	28,982	18,982
Total revenues	<u>106,131</u>	<u>106,131</u>	<u>130,337</u>	<u>24,206</u>
<b>EXPENDITURES</b>				
General government	150	150	142	8
Capital outlay	<u>9,798</u>	<u>11,158</u>	<u>9,791</u>	<u>1,367</u>
Total expenditures	<u>9,948</u>	<u>11,308</u>	<u>9,933</u>	<u>1,375</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	96,183	94,823	120,404	25,581
<b>OTHER FINANCING USES</b>				
Transfer out - General Fund	<u>(14,591)</u>	<u>(14,591)</u>	<u>(14,591)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	81,592	80,232	105,813	25,581
<b>FUND BALANCES - BEGINNING</b>	<u>483,266</u>	<u>483,266</u>	<u>483,266</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 564,858</u>	<u>\$ 563,498</u>	<u>\$ 589,079</u>	<u>\$ 25,581</u>

**City of Plainwell****BUDGETARY COMPARISON SCHEDULE - Capital Improvement Fund**

Year ended June 30, 2007

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 86,800	\$ 86,800	\$ 92,024	\$ 5,224
Interest	4,550	9,980	9,983	3
Other	-	4,769	-	(4,769)
Total revenues	91,350	101,549	102,007	458
<b>EXPENDITURES</b>				
General government	5,150	1,150	1,142	8
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	86,200	100,399	100,865	466
<b>SPECIAL ITEM</b>				
Capital contribution to component unit	-	(62,226)	(62,226)	-
<b>NET CHANGE IN FUND BALANCES</b>	86,200	38,173	38,639	466
<b>FUND BALANCES - BEGINNING</b>	447,132	447,132	447,132	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 533,332</u>	<u>\$ 485,305</u>	<u>\$ 485,771</u>	<u>\$ 466</u>

## **SUPPLEMENTARY INFORMATION**

**City of Plainwell****COMBINING BALANCE SHEET - nonmajor governmental funds**

June 30, 2007

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	<b><u>Special revenue funds</u></b>		<b><u>Total nonmajor governmental funds</u></b>
	<b><u>Local Street</u></b>	<b><u>Solid Waste</u></b>	
<b>ASSETS</b>			
Cash	\$ 177,279	\$ 114,852	\$ 292,131
Receivables	<u>11,934</u>	<u>159</u>	<u>12,093</u>
Total assets	<u>\$ 189,213</u>	<u>\$ 115,011</u>	<u>\$ 304,224</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities - payables	\$ 1,406	\$ 204	\$ 1,610
Fund balances - unreserved, undesignated	<u>187,807</u>	<u>114,807</u>	<u>302,614</u>
Total liabilities and fund balances	<u>\$ 189,213</u>	<u>\$ 115,011</u>	<u>\$ 304,224</u>



**City of Plainwell****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2007

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	<b>Special revenue funds</b>		<b>Total nonmajor governmental funds</b>
	<b>Local Street</b>	<b>Solid Waste</b>	
<b>REVENUES</b>			
Property taxes	\$ -	\$ 122,471	\$ 122,471
State grant	74,642	-	74,642
Intergovernmental	67,082	-	67,082
Interest	8,429	9,015	17,444
Other	1,075	35,214	36,289
Total revenues	151,228	166,700	317,928
<b>EXPENDITURES</b>			
Public works	162,376	156,249	318,625
Capital outlay	-	6,305	6,305
Total expenditures	162,376	162,554	324,930
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(11,148)	4,146	(7,002)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	872	-	872
<b>NET CHANGES IN FUND BALANCES</b>	(10,276)	4,146	(6,130)
<b>FUND BALANCES - BEGINNING</b>	198,083	110,661	308,744
<b>FUND BALANCES - ENDING</b>	\$ 187,807	\$ 114,807	\$ 302,614

## **OTHER SUPPLEMENTARY DATA**

**City of Plainwell****SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$1,570,000 1999 WATER SUPPLY SYSTEM BONDS**

June 30, 2007

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<i><u>Fiscal period</u></i>	<i><u>Interest requirements</u></i>		<i><u>Maturity date</u></i>	<i><u>Principal</u></i>	<i><u>Total requirements</u></i>
	<i><u>October 1</u></i>	<i><u>April 1</u></i>			
2008	\$ 13,000	\$ 12,125	10/01/07	\$ 70,000	\$ 95,125
2009	12,125	11,250	10/01/08	70,000	93,375
2010	11,250	10,375	10/01/09	70,000	91,625
2011	10,375	9,438	10/01/10	75,000	94,813
2012	9,437	8,500	10/01/11	75,000	92,937
2013	8,500	7,500	10/01/12	80,000	96,000
2014	7,500	6,500	10/01/13	80,000	94,000
2015	6,500	5,500	10/01/14	80,000	92,000
2016	5,500	4,438	10/01/15	85,000	94,938
2017	4,437	3,375	10/01/16	85,000	92,812
2018	3,375	2,250	10/01/17	90,000	95,625
2019	2,250	1,125	10/01/18	90,000	93,375
2020	1,125	-	10/01/19	90,000	91,125
	<u>\$ 95,374</u>	<u>\$ 82,376</u>		<u>\$ 1,040,000</u>	<u>\$ 1,217,750</u>

**Members of the City Council  
City of Plainwell, Michigan**

In planning and performing our audit of the financial statements of the City of Plainwell as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Plainwell's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to a significant deficiency and a deficiency that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We believe that the following control deficiency is a significant deficiency.

- Enterprise fund receivable balances for utility charges were not reconciled to their respective general ledger control accounts in a timely manner.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following control deficiency constitutes a material weakness.

- The City does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, record changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the City Council of the City of Plainwell, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

October 11, 2007

